

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 SP-02 SOE-02 OMB-01 DOE-15
AF-10 ARA-10 EA-10 NEA-11 OIC-02 ICAE-00 NSCE-00
INRE-00 SSO-00 DOEE-00 OES-07 /160 W
-----083425 152105Z /63

O R 151953Z JUN 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 3322
INFO ALL OECD CAPITALS
AMEMBASSY BRUSSELS
USMISSION GENEVA
USMISSION USUN

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USOECD

USEEC

USMTN

E.O. 11652: N/A
TAGS: EGEN, ETRD, OECD, EFIN
SUBJECT: OECD MINISTERIAL JUNE 14, 15: TRADE PLEDGE
AND EXPORT CREDITS

1. SUMMARY: OECD MINISTERS UNANIMOUSLY ADOPTED UPDATED
TRADE PLEDGE AS RECOMMENDED BY TRADE COMMITTEE. UK
(TRADE MINISTER DELL) NOTED IT AGREED TO RENEW ON BASIS
THAT PLEDGE WAS ONLY ONE ELEMENT IN TOTAL STRATEGY
TO LIFT WORLD ECONOMY FROM DEPRESSION, AND THAT FAILURE
OF THIS STRATEGY WOULD NOT SAVE WORLD FROM PROTECTION-
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ISM, PLEDGE OR NO PLEDGE. ON EXPORT CREDITS, SECRE-
TARY BLUMENTHAL MADE STATEMENT THAT IT WAS STRONG U.S.
VIEW THAT THERE MUST BE NEGOTIATIONS THIS YEAR TO
REDUCE SUBSIDY ELEMENT, INCLUDE EXEMPTED SECTORS, AND
MODERATE MIXED CREDIT PRACTICES. EC WAS UNABLE TO
REACT TO REQUEST, BUT PROMISED TO GIVE IT CONSIDERATION.
BOTH POSITIONS ARE QUOTED IN COMMUNIQUE. INFORMAL

INDICATIONS ARE THAT COMMISSION WILL HAVE DIFFICULTY AGREEING TO NEGOTIATIONS. FOR THIS MEETING, HOWEVER, OPEN CONFRONTATION AVOIDED. CANADA SUPPORTED U.S. MINISTERS ALSO REAFFIRMED THEIR DETERMINATION TO BRING THE MTN TO A SUCCESSFUL OUTCOME IN THE NEAR FUTURE.
END SUMMARY

2. TRADE PLEDGE: MANY DELS ENDORSED RENEWAL OF TRADE PLEDGE IN THEIR GENERAL STATEMENTS RELATING TO RELATIONS WITH DEVELOPING COUNTRIES. IN ADDITION SEVERAL MADE SPECIFIC STATEMENTS UNDER TRADE PLEDGE ITEM OF AGENDA. NEW ZEALAND SAID ITS ANXIETIES ABOUT THE EFFECTIVENESS OF THE PLEDGE IN STOPPING AGRICULTURAL PROTECTIONISM AND PROMOTING WORLD ECONOMIC EXPANSION REMAINED, BUT THAT GNZ COULD SUBSCRIBE TO IT AS PART OF CONCERTED ACTION PROGRAM. U.S. MADE STRONG STATEMENT OF SUPPORT TO RENEWAL (SEPTTEL). EC COMMISSION DID SAME. SWEDEN NOTED THAT IT INTERPRETED PLEDGE TO COVER OMA'S, VRA'S, AND REFERENCE PRICE SYSTEMS AS WELL AS CONVENTIONAL "UNILATERAL MEASURES." FINLAND PUT PRIORITY ON INCREASED ECONOMIC GROWTH AS MOST EFFICIENT MEANS TO REDUCE PROTECTIONIST PRESSURES.

3. EDMUND DELL, UK TRADE MINISTER, EXPRESSED DOUBT THAT TRADE PLEDGE WAS STILL RELEVANT TO PROBLEMS WHICH COUNTRIES FACED TODAY. MAIN TASK, HE SAID, WAS TO LIMITED OFFICIAL USE

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FIND WAYS TO RECOVER FROM THE WORST DEPRESSION SINCE THE 1930'S. DELL NOTED UK WAS CONTENT TO RENEW PLEDGE, BUT ON BASIS THAT THIS WAS ONLY ONE ELEMENT, AND A NEGATIVE ONE, IN A TOTAL STRATEGY. HE SAID A POINT CAN BE REACHED WHEN PROTECTIONIST PRESSURES ARE IRRESISTIBLE, AND THAT TRADING SYSTEM WOULD CRUMBLE, PLEDGE OR NO PLEDGE, UNLESS POSITIVE MEASURES WERE TAKEN TO GET WORLD ECONOMY MOVING. IN THIS CONNECTION HE REFERRED TO PRIME MINISTER CALLAGHAN'S 5-POINT PROGRAM OF CONCERTED ACTION.

4. EXPORT CREDITS: SECRETARY BLUMENTHAL FOLLOWED UP HIS ENDORSEMENT OF TRADE PLEDGE BY STRONG STATEMENT OF CONCERN THAT COSTLY AND WASTEFUL EXPORT CREDIT WAR COULD RESULT UNLESS THERE IS A HIGH LEVEL POLITICAL IMPETUS TO FURTHER NEGOTIATIONS TO BROADEN AND STRENGTHEN THE EXPORT CREDIT ARRANGEMENT (SEPTTEL). HE STRESSED THAT THIS WAS NO IDLE THREAT, REFERRING TO INCREASING PRESSURES FROM CONGRESS AND BUSINESS FOR THE

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U.S. TO PROVIDE FOR FAVORABLE EXPORT CREDIT TERMS.
THE SECRETARY SAID IT WAS THE STRONG VIEW OF THE U.S.
THAT THERE MUST BE NEGOTIATIONS THIS YEAR TO (A) REDUCE
THE SUBSIDY ELEMENT IN EXPORT CREDITS RESULTING FROM
THE CONTINUING DIFFERENCE BETWEEN COMMERCIAL INTEREST
RATES AND THOSE SUPPORTED BY EXPORT CREDIT AGENCIES;
(B) INCLUDE SECTORS NOT NOW COVERED, PARTICULARLY AIR-
CRAFT, NUCLEAR POWER PLANTS, AND SHIPS; AND (C) MODER-
ATE PRACTICES SUCH AS MIXED-CREDITS. HE URGED INCLU-
SION OF LANGUAGE IN THE COMMUNIQUE TO POINT THE
DIRECTION TO BE TAKEN IN THIS AREA. SWEDEN ALSO
URGED OECD COUNTRIES NOT REST WITH THEIR ACHIEVEMENTS
IN THE EXPORT CREDIT AREA BUT WORK FOR STRICTER TERMS.
CANADA POINTED OUT THE CONSENSUS RATES WERE NOW BELOW
IBRD RATES, AS WELL AS MARKET RATES, AND SAID IT WAS
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VERY IMPORTANT THAT REVIEW OF ARRANGEMENT MAKE PROGRESS
IN REDUCING THE SUBSIDY ELEMENT.

5. BATTLE BETWEEN U.S. AND EC TOOK PLACE IN COMMUNIQUE
DRAFTING SESSIONS. EC WAS UNABLE TO RESPOND TO U.S.
REQUEST AND AT THIS STAGE UNWILLING TO GO BEYOND
FORMULATION NOTING THAT SCHEDULED REVIEW OF ARRANGE-
MENT WOULD PROVIDE OPPORTUNITY TO "CONSIDER SUGGESTIONS
FOR REINFORCING THE ADMINISTRATION OF THE GUIDELINES."
SECRETARY BLUMENTHAL'S BILATERAL DISCUSSIONS WITH FRG
ECONOMICS MINISTER LAMBSDORFF (WHO WAS SYMPATHETIC)
RESULTED IN FURTHER EC-9 CONSULTATIONS, BUT IN END
ONLY SOLUTION WAS TO INCORPORATE BOTH POSITIONS IN
LANGUAGE. CANADA ASSOCIATED ITSELF WITH U.S. AND
COMMUNIQUE LANGUAGE WAS AGREED AS FOLLOWS:

QUOTE: MINISTERS EXPRESSED SATISFACTION THAT THE
NEGOTIATIONS FOR AN ARRANGEMENT ON GUIDELINES FOR
OFFICIALLY SUPPORTED EXPORT CREDITS HAD BEEN
SUCCESSFULLY CONCLUDED IN FEBRUARY. THE UNITED
STATES AND CANADA REQUESTED OTHER PARTICIPANTS IN
IT TO ENTER INTO NEGOTIATIONS FOR THE SUBSTANTIVE
IMPROVEMENT OF THE EXISTING ARRANGEMENT. OTHER
PARTICIPANTS WERE NOT IN A POSITION TO REACT
DEFINITELY TO THIS REQUEST ON THIS OCCASION. HOW-
EVER, IN RECALLING THAT THE ARRANGEMENT HAD ONLY
COME INTO FORCE IN APRIL, THEY NOTED THE PROVISION
IN IT FOR REVIEWS AT REGULAR INTERVALS, STARTING
THIS AUTUMN, OF ITS OPERATION IN PRACTICE AND THAT
THESE REVIEWS WOULD PROVIDE THE OPPORTUNITY TO
CONSIDER ANY FURTHER SUGGESTIONS FOR REINFORCING
ADMINISTRATION OF THE GUIDELINES. END QUOTE

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6. IN FINAL COMMENTS, U.S. EXPRESSED HOPE THAT OTHER
PARTICIPANTS WOULD SEE WAY CLEAR TO IMPROVING ARRANGE-
MENT AT AN EARLY DATE AFTER GIVING U.S. REQUEST
FURTHER CONSIDERATION. CANADA OBJECTED TO IDEA THAT
ONLY SUGGESTIONS FOR REINFORCING "ADMINISTRATION" OF
GUIDELINES WOULD BE CONSIDERED IN FALL.
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